

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:5820  
ANSWERED ON:03.05.2002  
GROSS DOMESTIC PRODUCT  
PAWAN KUMAR BANSAL

**Will the Minister of FINANCE be pleased to state:**

- (a): the percentage of G.D.P achieved by the exports of IT and electronics goods last year;
- (b): whether it compares very poorly with some of the other Asian countries;
- (c): if so, the reasons thereof;
- (d): the steps proposed or taken to develop Indian IT hardware industry;
- (e): the date fixed for implementation of the Information Technology Agreement (ITA) of World Trade Organisation (WTO); and
- (f): its likely impact on indigenous IT and telecom hardware industry?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE ( SHRI GINGEE N. RAMACHANDRAN )

(a): The export of IT and electronic hardware during the year 2001-02 amounted to Rs 42371 crores, which is estimated to be around 1.8 per cent of the GDP.

(b): According to a related indicator, reported in the World Development Report 2002, India's share of high technology exports as a per cent of manufacturing exports in 1999 was 6 per cent as compared to 10 per cent for Indonesia, 17 per cent for China, 21 per cent for Hong Kong, 32 per cent for South Korea and Thailand and 59 per cent for Malaysia and Philippines.

(c): While the Indian software industry has been doing consistently well, the IT hardware industry is passing through a transition due to, inter alia, lack of fresh investment in electronics/IT hardware, lack of local availability of raw material/components, high cost of capital goods, high tariff duty, infrastructural constraints, rigid labour laws, low technology levels and lack of R&D efforts.

(d): Government recognizes the importance of IT hardware industry and its potential in contributing to the growth, employment and exports of the country. Measures taken by the Government to promote electronic hardware sector include approval for all foreign direct investment in units set up for exports under the automatic route, accelerated depreciation norms for computers and peripherals, larger access to the Domestic Tariff area and income tax benefits to EOU/EPZ/EHTP units under Sections 10A and 10B of the Income Tax Act, exemption from withholding tax, higher weighted deduction for R&D activities and setting up of Special Economic Zones for hassle free manufacturing and trading for export purposes. An Information Technology Act 2000 dealing with Cyber Security, Cyber Crime and other information security related legal aspects has also been put in place to encourage expansion of e-commerce through internet. Further policy changes, as and when necessary, would be affected to accelerate IT exports on a sustainable basis.

(e): Of the 217 tariff lines bound by India under ITA, the phase out schedule stipulates reduction of duty rates to zero on 95 tariff lines by 2000, on 4 tariff lines by 2003, on 2 tariff lines by 2004 and on remaining 116 tariff lines by 2005.

(f): Information Technology Agreement is expected to aid the development of the domestic IT and Telecom industries as it is expected to expand the world trade in IT products. India is likely to benefit from the capital investments in R&D in this growing field. ITA is also expected to improve the competitiveness of other industries depending on IT.